

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 IO-10 NEA-09 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

AGR-05 SS-15 NSC-05 FEAE-00 INT-05 OES-03 STR-01 /107 W  
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P R 131643Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 5426

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION NATO

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E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: LATEST OECD FORECASTS FOR STFC AND EPC MEETINGS

REF: USOECD 3728

1. SUMMARY: MISSION HAS OBTAINED FINAL DRAFT OF  
STFC/EPC DOCUMENTATION WHICH WILL BE RELEASED FRIDAY,  
FEBRUARY 14. DOCUMENTS WILL BE HANDCARRIED THIS WEEKEND  
TO CLARK EUR/RPE AND MCCAMEY TREASURY FOR TRANSMITTAL  
TO STFC AND EPC PARTICIPANTS. MAIN THRUST OF DOCUMENTS  
IS THAT ECONOMIC OUTLOOK HAS BECOME MUCH GLOOMIER THAN IN  
DECEMBER, ALONG LINES SKETCHED DURING EDRC PRELIMINARY  
REVIEW OF FORECASTS ON FEB. 4 (SEE REFTEL). PRESENT  
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CABLE TRANSMITS STATISTICAL PROJECTIONS FOR REAL GNP,

CONSUMER PRICES AND CURRENT ACCOUNT BALANCES FOR 1975.  
END SUMMARY.

2. SECRETARIAT HAS PREPARED SINGLE DOCUMENT FOR USE BY SHORT-TERM FORECASTERS ON FEB 27-28 AND BY EPC ON MARCH 6-7. PROSPECTS FOR ECONOMIC ACTIVITY, EMPLOYMENT AND WORLD TRADE SUBSTANTIALLY WORSE THAN FORESEEN IN OECD'S ECONOMIC OUTLOOK PUBLISHED IN DEC. SECRETARIAT ATTRIBUTES FORECASTER'S EARLIER FAILURE TO ANTICIPATE SEVERITY OF DOWNTURN TO "UNDER-ESTIMATION OF THE SIMULTANEOUS LAGGED EFFECTS OF RESTRICTIVE POLICIES AND THE EXTERNAL SHOCK OF THE OIL PRICE INCREASE." SECRETARIAT IS CAREFUL TO NOTE THAT ITS PRESENT FORECASTS ARE PARTICULARLY TENTATIVE, BASED AS THEY ARE ON MORE LIMITED FORECASTING EXERCISE THAN USUAL, AND FACED WITH SPECIAL DIFFICULTIES OF MAKING PROJECTIONS IN PRESENT RAPIDLY-CHANGING ECONOMIC SITUATION. ALL FORECASTS ARE BASED ON ASSUMPTION OF NO CHANGE IN GOVERNMENT POLICIES FROM THOSE PRESENTLY IN PLACE OR ALREADY ANNOUNCED. THIS ASSUMPTION MAY OF COURSE HAVE TO BE MODIFIED IF RISING PRESSURE OF UNEMPLOYMENT LEADS TO FURTHER CHANGES IN GOVERNMENT POLICIES.

3. UNEMPLOYMENT OUTLOOK IS FOR FURTHER DETERIORATION IN LABOR MARKET WITH LITTLE CHANCE OF RECOVERY BEFORE 1976. SECRETARIAT BELIEVES UNEMPLOYMENT MAY RISE ABOVE 9 PERCENT IN U.S. BY MID-1975 AND ABOVE 4 PERCENT IN UK BY END OF YEAR. SITUATION IN GERMANY UNLIKELY TO DETERIORATE MUCH BEYOND CURRENT 4-4.5 PERCENT LEVEL OF UNEMPLOYMENT ASSUMING SUBSTANTIAL DEPARTURE OF FOREIGN WORKERS. FURTHER INCREASES IN UNEMPLOYED ARE EXPECTED IN FRANCE AND CANADA, WHILE JAPAN AND ITALY ARE LIKELY TO EXPERIENCE CONTRACTION OF LABOR FORCE RATHER THAN SHARP INCREASES IN UNEMPLOYMENT.

4. REAL GNP GROWTH: TABLE 1 BELOW GIVES SECRETARIAT ESTIMATES AND FORECASTS OF REAL GNP GROWTH SEASONALLY ADJUSTED AT ANNUAL RATES.

TABLE 1: GROWTH OF REAL GNP IN 7 MAJOR COUNTRIES  
PERCENTAGE CHANGES FROM PREVIOUS PERIOD  
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	1974	1975	1974	1974	1975	1975
	I	II	I	II		
CANADA	3.7	.75	5.6	-0.6	0	3.5
U.S.	-2.2	-4.5	-3.4	-3.7	-7.75	2
JAPAN	-3.7	1.25	-9.1	1.3	1.25	1
FRANCE(A)	4.5	2.75	4.8	3.2	2	3.25

GERMANY	0.4	.75	1.4	-1.8	1	3
ITALY	3.8	-1.75	5.3	-4.2	-1.5	-.25
UK (A)	-0.2	1.25	-3.1	5.2	0	0
TOTAL						
BIG 7(B)	-0.8	-1.5	-2.0	-1.4	-3.25	2
OTHER						
OECD (B)	2.8	2	..	..	..	..
TOTAL						
OECD (B)	-0.3	-1	-1.4	-1.0	-2.5	2.25

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TOTAL

EX US(B) 1.0 1.25 -0.1 0.8 1 2.25

(A) GDP

(B) 1973 WEIGHTS AND EXCHANGE RATES

5. CONSUMER PRICES: TABLE 2 BELOW GIVES SECRETARIAT ESTIMATES AND FORECASTS FOR CONSUMER PRICES SEASONALLY ADJUSTED AT ANNUAL RATES.

TABLE 2: CONSUMER PRICES IN 7 MAJOR COUNTRIES (A)  
PERCENTAGE CHANGES FROM PREVIOUS PERIOD  
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	1974	1975	1974	1974	1975	1975
	I	II	I	II		
CANADA	10.1	11.75	9.6	12.2	12.5	10
U.S.	11.3	11	12.5	11.6	10.5	12
JAPAN	25.0	13	29.4	22.5	10.5	9.25
FRANCE(B)	13.7	12	15.0	14.5	12	9
GERMANY	7.3	6.25	7.5	7.0	6.5	6
ITALY (B)	19.0	19.5	20.0	25.0	21	15.5
UK	14.3	21.25	16.2	15.9	22	19.25
TOTAL						
BIG 7 (C)	13.6	12	15.2	13.9	11.5	11
GNP DEFLATOR FOR BIG 7 COUNTRIES:						
TOTAL	12.6	12	13.3	14.2	11.75	11

(A) NATIONAL ACCOUNTS IMPLICIT PRICE DEFLATOR FOR PRIVATE CONSUMPTION.

(B) CONSUMER PRICE INDEX.

(C) 1973 WEIGHTS AND EXCHANGE RATES.

6. CURRENT BALANCES: TABLE 3 GIVES SECRETARIAT ESTIMATES AND FORECASTS FOR CURRENT BALANCES IN MAJOR SEVEN COUNTRIES PLUS BELGIUM/LUXEMBOURG AND NETHERLANDS.

TABLE 3: CURRENT BALANCES (A)  
\$U.S. BILLION, SEASONALLY ADJUSTED

	1974	1975	1974	1974	1975	1975
	I	II	I	II		
CANADA	-1.75	-5.25	- .5	-1.25	-2.5	-2.75
U.S.	-1.75	-2	.5	-2.25	-.5	-1.5
JAPAN	-4.5	-2	-4	-.5	-1	-1
FRANCE	-6	-4.5	-3.25	-2.75	-2.25	-2.25
GERMANY	9.5	12	5.5	4	6.25	5.75
ITALY	-7.5	-4.75	-4.5	-3.5	-2.5	-2.25

UK -9 -7.5 -4.75 -4.25 -4.25 -3.25  
BELG/LUX -.25 .25 0 -.25 0 .25  
NETH. 1.75 2.75 1 .75 1.25 1.5  
OTHER  
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OECD -14 -17 -6.5 -7.5 -8.5 -8.5  
TOTAL  
OECD -33.5 -28 -16.5 -17 -14 -14

(A) FORECASTS ARE BASED ON ASSUMPTION OF UNCHANGED  
EXCHANGE RATES OVER PERIOD OF FORECAST; IN THIS CASE  
EXCHANGE RATES OF JANUARY 20-24 WERE USED.

7. MISSION WILL TRANSMIT MAIN ISSUES PAPER WHEN COM-  
PLETED NEXT WEEK.  
TURNER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, INFLATION, BALANCE OF PAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975OECDP03914  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750052-1119  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750246/aaaabpcs.tel  
**Line Count:** 244  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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Margaret P. Grafeld  
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05 JUL 2006

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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** LATEST OECD FORECASTS FOR STFC AND EPC MEETINGS  
**TAGS:** ECON, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006